

A wide-angle photograph of a modern office interior. The space is bright and open, featuring a mezzanine level with a glass railing. Two women in business attire are standing on the mezzanine, looking out. The ground floor below has a reception area with a sign that says 'Elevato' in gold script. The ceiling is white with recessed lighting. The overall atmosphere is professional and contemporary.

# eQ Real Estate Funds ESG Report 2021

# Sustainability in eQ Group



## Sustainability is a key part of eQ's business

- Acting in a responsible and sustainable manner as eQ Group and integrating this work systematically to eQ Asset Management's investment operations and Advium's corporate finance operations
- Sustainability matters on eQ Plc's Board of Directors on a regular basis
- eQ Group's sustainability report
- The goal of sustainable investing is to identify investments that benefit from sustainable operation and their potential for return, and to reduce the risk in investments

## A forerunner in sustainable investing

- PRI signatory since 2010
- eQ Plc is included in the Nasdaq OMX Sustainability Finland index
- As a member and active participant in several organizations:




## Regular reporting to the PRI

Reported areas (2020)	eQ Asset Management's result	Median of respondents
Strategy and Governance	A+	A
Private Equity	A+	A
Listed Equity – Incorporation of ESG	A+	A
Listed Equity – Active Ownership: I Active interaction with investments A+ II Voting at General Meetings C	B	B
Property	A	B

PRI reporting scale E (weak) – A+ (best)

PRI is reforming the reporting, so the 2021 results are not available yet. In the spring of 2021, eQ reported on sustainability.



As a result of the successful sustainability performance at Group level, eQ Plc has been given the international [ISS ESG Prime –rating](#). eQ Plc was among the best tenth in its sector regarding responsible operations.

# eQ Real Estate Funds



## eQ Community Properties (2012)

### Previous name: eQ Care

- Investments in modern care and social infrastructure properties
- Well diversified portfolio
  - Invests in the welfare and social sectors. The investments are distributed geographically in different regions, main focus is on the Helsinki region
  - Tenants: private and public operators
- Capital invested: 1703 MEUR<sup>1</sup> (12/2021)
- Return +8.9% p.a. (1 July 2012 - 31 Dec 2021)<sup>2</sup>



## eQ Commercial Properties (2014)

- Investments in commercial and office real estates
- Well diversified portfolio
  - Main focus of investments are in commercial real estate and in office property.
  - Strong and trustable tenants.
  - Real estates are located in Helsinki and Tampere region as well in growth and regional centers.
- Capital invested 1158 MEUR<sup>1</sup> (12/2021)
- Return +8.5 % p.a. (31 Dec 2014 - 31 Dec 2021)<sup>2</sup>



## eQ Residential

### eQ Residential (2020)

- Investments in residential properties located in the Helsinki region, Tampere and Turku<sup>‡</sup>
- NAV 100 MEUR (=> GAV 330 MEUR)
- Approx. 1,500 units during a 3-year time period
- Cashflow income approx. 4 %<sup>2</sup>
- Expected return IRR 8-10 %<sup>3</sup>
- Closed ended fund, (05/2021)
- Only available for professional investors

### eQ Residential II (2022)

- Investments in residential properties located in the Helsinki region, Tampere and Turku<sup>‡</sup>
- NAV 100 MEUR (=> GAV 330 MEUR)
- Approx. 1,500 units during a 3-year time period
- Cashflow income approx. 3,5 - 4 %<sup>2</sup>
- Expected return IRR 8-10 %<sup>3</sup>
- Investment activity starts in Q1 / 2022, construction will start during the spring
- Closed ended fund, 1. close 18.2.2022
- Only available for professional investors



<sup>1</sup> The fund's real estate assets are valued quarterly by an external appraiser.

<sup>2</sup> Future income cannot be inferred from past earnings. All real estate fund performance figures we have presented take into account all fees (except for any subscription and redemption fees), but not any taxes that may be payable by the investor. Taxation depends on the personal situation of the investor and may change in the future. The full return history of the real estate funds is presented on pages 12 and 20.

<sup>3</sup> The expected return is an estimate of future returns based on current market conditions and is not an accurate indicator. The return to the investor will vary depending on the market development and the length of time the fund has been held. The investment may result in financial losses.

<sup>‡</sup> The eQ Asunnot funds act as a feeder fund for the separate limited liability companies Oivat Kaupunkikodit, which are engaged in actual housing investment activities. eQ's housing funds are not real estate funds within the meaning of the Real Estate Funds Act and do not comply with the investment restrictions in accordance with that Act.

# eQ's real estate funds in figures



# 4 Funds

- eQ Community Properties (2012)
- eQ Commercial Properties (2014)
- eQ Residential (2020)
- eQ Residential II (2022)

# 1 000 000 m<sup>2</sup>

Area

# 3 mrd. EUR

Real estate assets

eQ is Finland's leading real estate asset manager.  
eQ Asset Management has for several years acted as an active forerunner for sustainable investing. A member and active participant in several organizations.

# 200

Properties

# 800

Tenants

# 147

GWh

Total energy consumption

# 12 200

tCO<sub>2</sub>

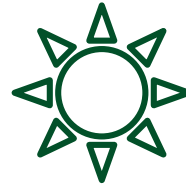
Emissions



# eQ's real estate funds as a part of society



**Functional, safe and healthy premises**



**1 600**  
Daycare places

**12 000**  
Students at the schools

**2 600**  
Care homes' care places



**21 milj.**  
Shopping center visitors annually

**800**  
Entrepreneurs



**1 123**  
Apartments under construction, of which 176 were completed

**34**  
Construction projects



**900 MWh**      **19**  
Solar energy      Geoenergy systems

**5 000**  
Office users



**Active participation in organizations**

**RAKLI**      HELSINGIN SEUDUN  
KAUPPAKAMARI

**Property development serves the people and environment of the area**

# Sustainability in eQ's real estate investments



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## Property selection

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## Property management and rental

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## Property development and construction

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### A carbon neutrality target in terms of in-use energy consumption by 2030

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- Sustainability is part of the due diligence when properties are acquired. This includes e.g. matters related to soil, energy efficiency, tenant background and access to public transport
- Energy-efficient and eco-friendly choices of materials and design decisions are preferred and the use of geenergy, solar electricity and green district heating is always studied at new sites
- Green building electricity since 2018 and green district heating since 2020
- BREEAM certifications: maintenance functions performance, current status and development requirements
- Consumption data (energy, water and waste) of all sites is collected, deviations are monitored, and action is taken based on the data
- Interaction with the tenants: regular tenant satisfaction surveys and recommendations on sustainability in lease agreements
- Results of the GRESB Sustainability Assessment as a tool for monitoring and developing sustainability
- eQ's real estate funds' Supplier Code of Conduct is attached to all agreements
- "Sustainable licence to operate" instructions are included in all construction projects
- eQ and the contractors used by eQ have zero tolerance for the gray economy, underpayment and illegal labor

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## Investor reporting

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- ESG report once a year
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## Article 9 financial products

- eQ Commercial Properties, eQ Community Properties and eQ Residential II (2022) fund are classified as financial products according to Article 9 of the EU regulation on sustainability-related disclosures "SFDR" (2019/2088) <sup>1</sup>

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## Environmentally friendly energy and preparedness for climate risks

- eQ Commercial Properties fund and eQ Community Properties fund intend to apply for a Breeam In-Use certificate for all sites, on the Very Good level at the very least. At the end of 2021, 50 % of the properties were certified in the Commercial Properties fund and 60 % in the Community Properties fund. There will be 30 more certified sites in 2021
- Utilization of EKOenergy<sup>2</sup> as of 1 May 2021 in all sites under the owner's maintenance responsibility (purchased electricity produced for renewable energy has been in use since 2018)
- Green district heating
  - Green district heating since 2020. Decreasing effect on the total carbon footprint of district heating by about 8,600 tCO<sub>2</sub> in 2021. Total heat consumption 87 GWh
- Five new solar power plants. The capacity of solar power plants is currently about 900 MWh (1 % of total energy consumption). Solar power plant is also coming to in all residential properties
- Identification of climate risks: specifying for eQ's real estate investments material physical risks (such as storms, rise in average temperature and changes in precipitation) and transitional risks (such as stricter obligations in emissions reporting)

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## Strong development in GRESB results

- Third year of participation
- The funds star rating 3/5
- Both funds saw an improvement of more than ten points (max. 100 p.). eQ Community Properties total points (78) better than benchmark group (67) as well as the total points (79) in eQ Commercial Properties fund compared to its comparison group (69)
- The GRESB Green Star for the second time already

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## Green financing

- Green financing<sup>3</sup> eQ Commercial Properties 800 MEUR (7/2021)
- Green financing<sup>3</sup> eQ Community Properties 700 MEUR (10/2021)

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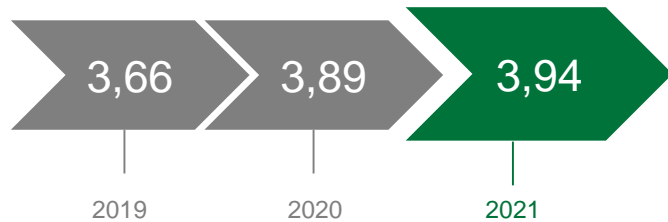
<sup>1</sup>eQ Residential (2020) was closed before eQ worked with SFDR classifications for products. In practice, eQ Residential fund is subject to the same sustainability measures as eQ Residential II, which is classified as a financial product in accordance with Article 9.

<sup>2</sup>The EKOenergy label is an environmental label for energy maintained by the Finnish Association for Nature Conservation and 34 other European environmental organizations. The label is awarded to energy produced from renewable energy sources according to certain criteria. Eco-labeled EKOenergy can be wind power, bioenergy, solar energy, geothermal energy or hydropower. Compliance with the criteria is monitored through audits.

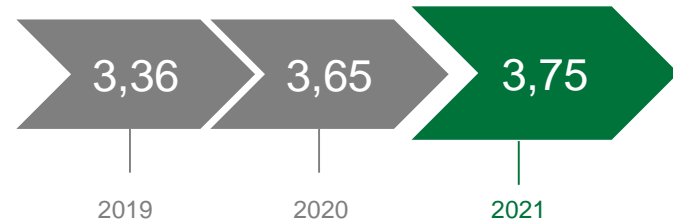
<sup>3</sup> Both financing packages are classified as green, responsible funding with regard to the bank loans. In this context, green financing means that at least the number of properties equal to the loan amount must meet a certain level of Breeam In-Use certification.

# Tenant satisfaction increased year on year

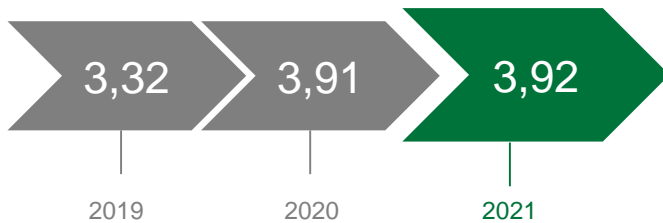
## Suitability of the properties



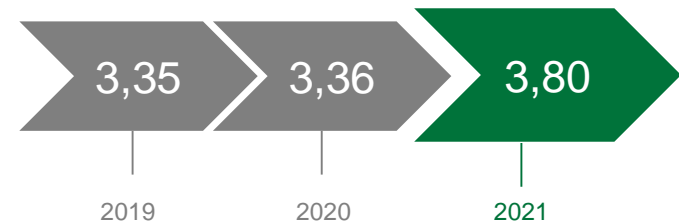
## Manager services



## Property maintenance services



## eQ as an owner



Less than 3 = poor results, 3,00 - 3,50 = moderate results, 3,50 – 4,00 = good results and more than 4,00 = excellent results

***The purpose of the survey is to collect information on the satisfaction of tenant of properties and to identify areas for development both for individual properties and for eQ's own operations and processes***

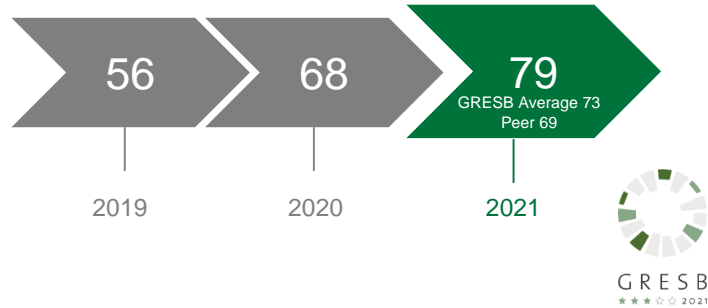


# GRESB assessment further improved, more certifications

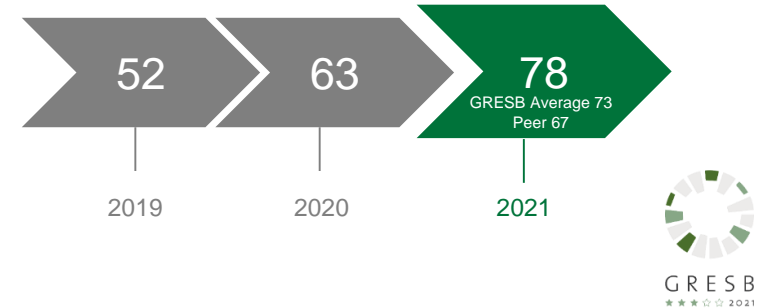


**GRESB (Global Real Estate Sustainability Benchmark) – fund level sustainability assessment:**

## eQ Commercial Properties GRESB assessment

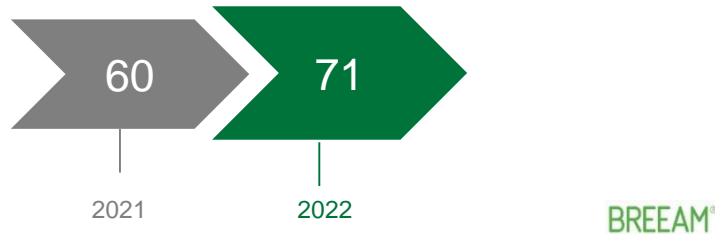


## eQ Community Properties GRESB assessment

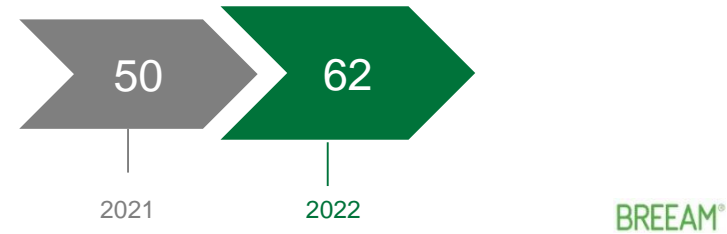


**BREEAM (Building Research Establishment’s Environmental Assessment Method) – property level environmental certification:**

## eQ Commercial Properties BREEAM certification target\*



## eQ Community Properties BREEAM certification target\*



\*\*% of the value of funds assets at the end of the year.  
The goal is to have all assets certified with a level of “Very Good”.

\*\*% of the value of funds assets at the end of the year.  
The goal is to have all assets certified with a level of “Very Good”.

***Aiming for carbon neutrality in energy consumption by 2030***

# ESG metrics

## eQ Community Properties



Total consumption and CO2 emissions:	Coverage %		Coverage %		Coverage %		Set targets
	2020	2020	2019	2019	2018	2018	
✓ <b>Energy consumption, MWh:</b>	63 594 <sup>1</sup>	71%	64 966 <sup>2</sup>	72 %	46 945	61 %	TETS 7,5% 2017-2025
✓ <b>Carbon footprint, tCO2:</b>	10 748	72%	9 477	72 %	9 372	69 %	Carbon neutrality in energy consumption 2030
✓ <b>Water, m3:</b>	141 827	64%	154 596	60 %	137 318	54 %	Not yet, in process
✓ <b>Waste, t:</b>	853	37%	263	14 %	277	19 %	Not yet, in process

<sup>1</sup>Share of renewable energy 22 019MWh ja <sup>2</sup>share of renewable energy 6 653MWh  
The source of key figures is used eQ Community Properties GRESB report

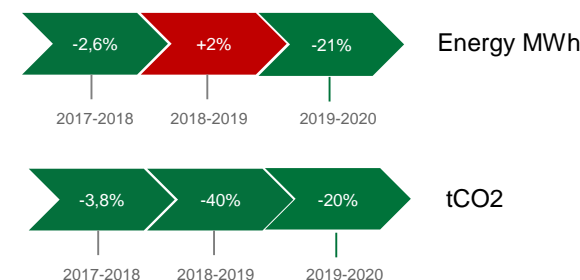
- Coverage of less than 100 % is due to the fact that no consumption data has been obtained for some of the properties for which tenants are responsible for maintenance.
- Included in the Real Estate Energy Efficiency Agreement (TETS) from 2019. The TETS-based energy efficiency target for 2025 is 7.5% of 2018 energy consumption. The energy saving target for 2025 is 7,076 MWh / a.

Number of properties:	2021	2020	2019	2018
✓ <b>Solar power plants:</b>	7*	5	1	-
✓ <b>Geothermal systems:</b>	17	14	22	13
✓ <b>Breem In-Use certifications:</b>	31	17	10	3

\* Acquisitions include one solar power plant

- The use of geogeneity and solar electricity is always being studied at new sites
- In 2020, eQ has switched to green district heating in Espoo, Vantaa, Jyväskylä, Järvenpää, Kuopio, Turku and Tampere
- The purpose of certifications is to analyze the site and obtain information about the site's performance, current status and development needs
- The goal is to certify all sites and the Part I section is rated "Very good"

### Like-for-like consumption changes GRESB



- Like-for-like means, that the property amount at the turn of the year is compared to the turn of the following year (same properties included throughout the year, purchased properties are not included)

# ESG metrics

## eQ Commercial Properties



Total consumption and CO2 emissions:	Coverage %		Coverage %		Coverage %		Set targets
	2020	2020	2019	2019	2018	2018	
✓ <b>Energy consumption, MWh:</b>	84 007 <sup>1</sup>	78%	91 731 <sup>2</sup>	85 %	84 023	84 %	TETS 7,5% 2017-2025
✓ <b>Carbon footprint, tCO2:</b>	13 781	78%	11 530	80 %	11 275	53 %	Carbon neutrality in energy consumption 2030
✓ <b>Water, m3:</b>	100 185	78%	114 886	82 %	104 187	89 %	Not yet, in process
✓ <b>Waste, t:</b>	1 110	52%	987	41 %	1 365	45 %	Not yet, in process

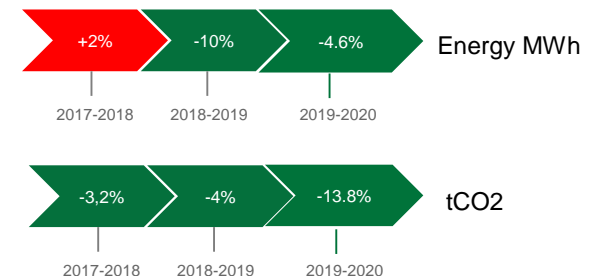
<sup>1</sup>Share of renewable energy 31 408 MWh ja <sup>2</sup>share of renewable energy 24 789 MWh  
The source of key figures is used eQ Commercial Properties GRESB report

- Coverage of less than 100 % is due to the fact that no consumption data has been obtained for some of the properties for which tenants are responsible for maintenance.
- Included in the Real Estate Energy Efficiency Agreement (TETS) from 2019. The TETS-based energy efficiency target for 2025 is 7.5% of 2018 energy consumption. The energy saving target for 2025 is 7,076 MWh / a.

Number of properties:	2021	2020	2019	2018
✓ <b>Solar power plants:</b>	12	8	5	3
✓ <b>Geothermal systems:</b>	2	-	-	-
✓ <b>Breem In-Use certifications:</b>	30	14	12	7

- The use of geogeneity and solar electricity is always being studied at new sites
- In 2020, eQ has switched to green district heating in Espoo, Vantaa, Jyväskylä, Järvenpää, Kuopio, Turku and Tampere
- The purpose of certifications is to analyze the site and obtain information about the site's performance, current status and development needs
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### Like-for-like consumption changes GRESB

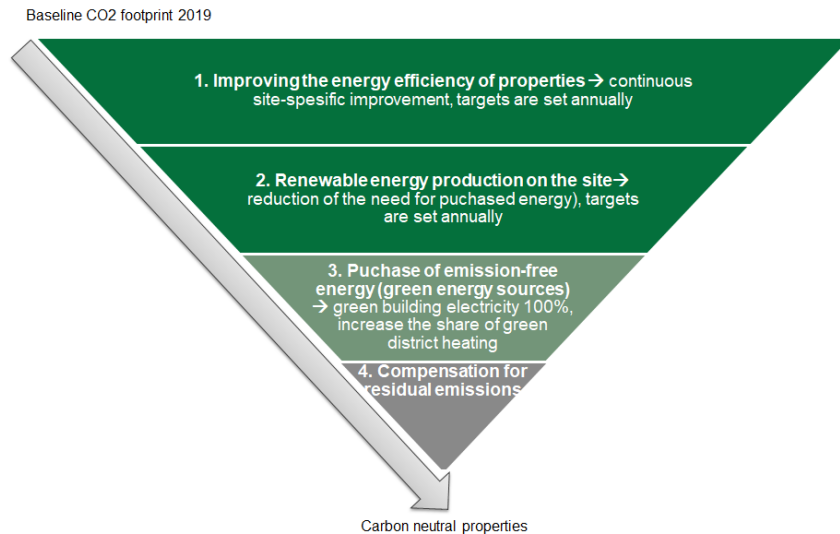


- Like-for-like means, that the property amount at the turn of the year is compared to the turn of the following year (same properties included throughout the year, purchased properties are not included)

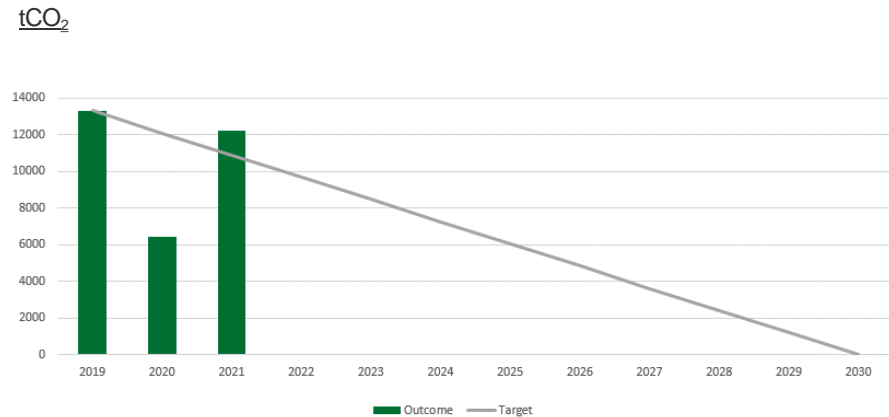
# eQ's real estate funds' road map towards carbon neutrality



## Strategic priorities for achieving carbon neutrality targets in the coming years



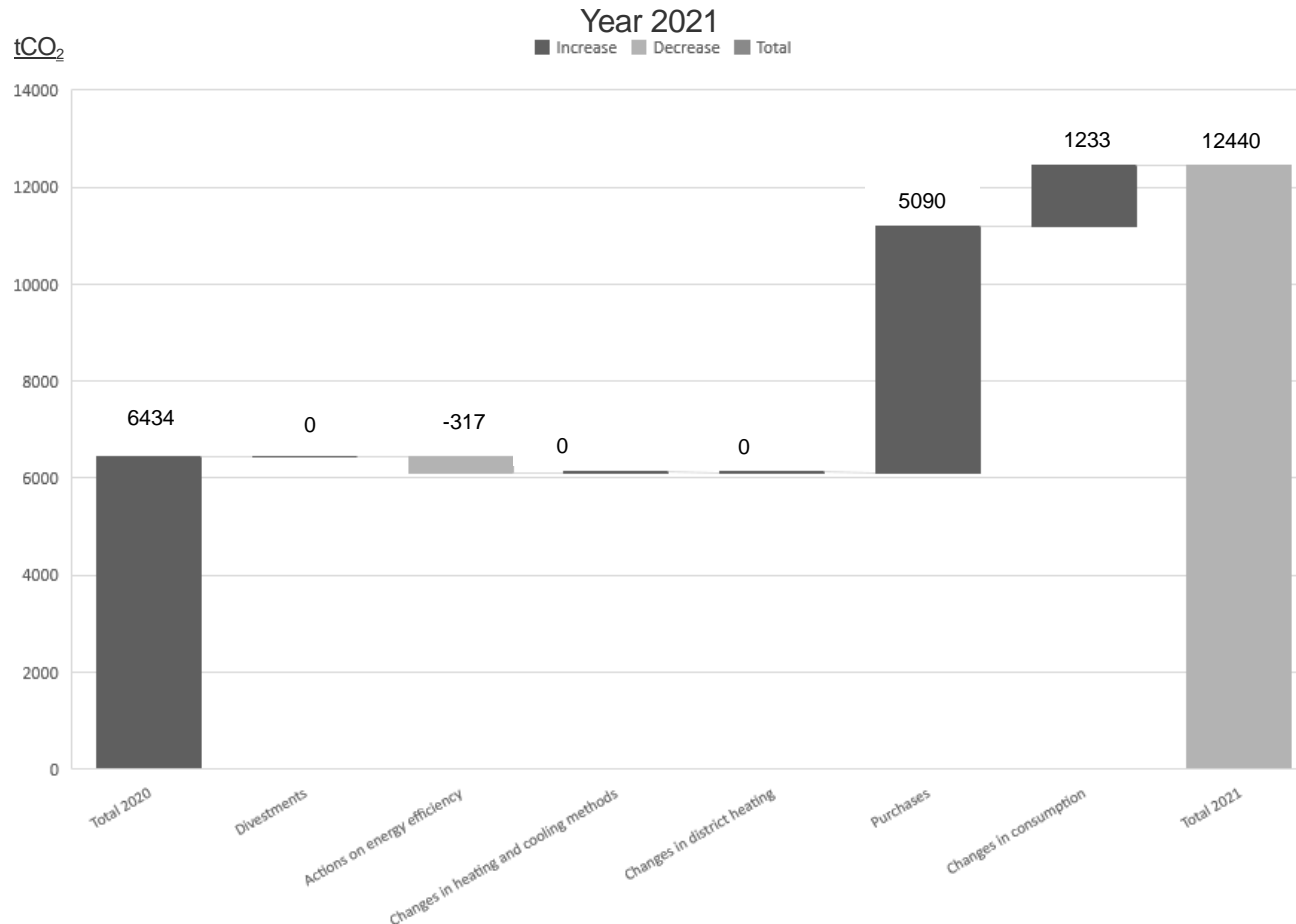
## Carbon footprint 2019-2030



\*The estimated outcome has been calculated with the emission factors concerning the year of 2020 published by energy companies. The data will be updated when the new emission factors for 2021 are published.

- eQ Community Properties fund and eQ Commercial Properties fund switched to green building electricity in 2018, which has had a depressing effect of 4 268 tCO<sub>2</sub> in 2019
- The impact of energy companies on the 2021 portfolio by 2030 will be approximately 8,600 tCO<sub>2</sub>
- The calculations include the properties of the maintenance of which is the responsibility of the owner (2019/72 properties, 2020/66 and 2021/79 properties)
- The carbon footprint consists mainly of district heating, as the electricity purchased by almost all properties is green
- Strong purchasing volume and deals near the turn of the year significantly increased the carbon footprint due to the lack of time to transfer contracts to green district heating and / or electricity
- In addition, the cold winter has increased the need for heating energy and the carbon footprint of district heating generated by it, especially in Helsinki sites

# The 2021 events' impact on the carbon footprint



- The carbon footprint consists mainly of district heating, as the electricity purchased by almost all properties is green. About 50% of green district heating is produced by non-combustion methods
- Strong purchasing volume and deals near the turn of the year significantly increased the carbon footprint due to the lack of time to transfer contracts to green district heating and / or electricity
- In addition, the cold winter has increased the need for heating energy and the carbon footprint of district heating generated by it, especially in Helsinki sites (changes in consumption)
- Energy efficiency measures include e.g. control measures and equipment upgrades

# Sustainability in eQ Residential fund



## In 2021 eQ Residential<sup>1</sup> – 1 408 apartments

- Completed 3 properties, total 176 apartments
- Owned 14 properties, total 946 apartments
- Letters of intent 3 properties, total 286 apartments

## Environmental certifications ja GRESB assessment

- All sites are certified as Breeam In-Use target level “Very Good”
- GRESB assessment for the first time when all residential properties in the fund have been completed

## Responsibility and sustainable energy solutions at the focus of construction

- Solar power plant in all residential properties
- Geoenergy at two sites and green district heating at all others
- Green building energy in all sites
- All sites are new and have a good energy class (minimum B)



Photo from eQ Residential fund site in Kannelmäki in Helsinki on March 4, 2022. Asunto Oy Helsingin Vanhaistentie 1 C.

“Solar panels are waiting in Kannelmäki”

<sup>1</sup>eQ Residential funds act as a feeder fund for the separate limited liability companies Oivat Kaupunkikodit, which are engaged in actual housing investment activities. eQ's housing funds are not real estate funds within the meaning of the Real Estate Funds Act and do not comply with the investment restrictions in accordance with that Act.

# Looking to the year 2022

- GRESB, digital portal open
- SFDR disclosure requirements
- Real estate internal ESG team (reporting, BREAAAM/LEED certifications, ESG events, development projects)
- Sustainability reporting is included in the lease
- No PRI reporting in 2022

- GRESB portal closed
- Real estate internal ESG team

- Conducting of the real estate funds ESG report begins
- Real estate internal ESG team

March

April

May

June

October

December

**”The importance of ESG perspectives in real estate valuation seems to be emphasized..”**

- Launch of the first tenant satisfaction survey of the year

- Starting the first certification processes for residential properties
- Publication of GRESB results and launch of development measures based on the results
- Launch of the second tenant satisfaction survey of the year
- Real estate internal ESG team

***The implementation of the carbon neutrality roadmap for eQ's real estate funds continues***



## eQ Asset Management Ltd

Aleksanterinkatu 19 A, 5th floor  
00100 HELSINKI, FINLAND

Phone: +358 6817 8700

firstname.lastname@eQ.fi  
www.eQ.fi

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